

Mr Lankford

PRIME MINISTER

With work on the Censure Debate speech, I was not able to produce this earlier, but it may be useful for this afternoon's briefing session.

A handwritten signature in dark ink, appearing to be 'JH' with a flourish at the end.

JOHN HOSKYNS
25 February 1980

PRIME MINISTER

PANORAMA

Robin Day's objective will be to produce an interesting programme by confronting you with difficult questions. You should have one overriding aim, which is to hasten the collapse of the steel strike.

This requires:

- Showing sympathy and understanding with the majority of decent people involved so that there is no possibility of increasing their sense of grievance.
- Explaining why we have not and will not intervene with money to settle it.

Everything else is subordinate to that aim. Tone of voice, good humour, complete relaxation and confidence are much more important than ten out of ten answers to each difficult question. You should be patient, perfectly aware that it takes time for people to understand what we're doing, because it is so different from what has gone before. Treat Day himself gently - much more impressive than hammering him into the ground!

The following sections look at three key areas - the steel strike, the Employment Bill and Cabinet splits, expenditure cuts and interest rates.

1. DAY'S OPENER, "WHY HAS IT ALL GONE WRONG?"

- 1.1 "I realise that's the sort of question you must put in an interview like this. But in a way, as you know, the question itself symbolises an important part of Britain's problem - our failure to understand the scale of our problems and the time it will take to put them right. We've had 20 years of economic decline. Five years of out-of-control public spending. Five years of deliberately increased trade union power. Two totally unrealistic wage rounds. Oil prices that have doubled in the last year. And yet there are probably many people who voted Conservative and wonder why we could not have put everything right by now. The simple answer to your question is that Britain still has the British disease - made worse by the oil price rises. But,

second, we are now starting to take the medicine to cure that disease. It's not nice medicine, and it takes time to work. So we have now the worst of both worlds - the pain of the disease and the discomfort of the treatment."

1.2 Day's Follow-Up, "Yes, but things are now actually worse".

"Yes, some things are worse. There are really two reasons - first that the world situation has deteriorated. But, second, the patient is making himself more ill by struggling against the treatment. In particular, we have high wage settlements which are bound to lead to higher unemployment, as inflation starts to fall. But we've no choice but to continue the treatment, or things will be much worse for us - and our children - later. Part of the British problem is that, whenever we've got near to the right policy, we've been unable to stick at it long enough for it to work."

2. THE STEEL STRIKE

2.1 Low-key, non-critical, patient explanation. "The economy is of course being gravely damaged by the present steel dispute. It is still recovering from the heavy blows of last winter's transport strike and last year's engineering strike."

2.2 "The steel unions are moderate unions. This is the first strike for 50 years. It is a sad business, in which all will be losers. The Corporation will lose markets it may never win back. Its workers will lose pay and jobs they will never make good. We should not blame the unions for all British Steel's failures. The unions and their members are part victims of past Government weakness and management failure. It takes management and work force together to make a successful business, or to make a failure. Neither can claim all credit or all the blame."

2.3 "It is sad that Left-wing militants are exploiting the grievance of responsible men. It is sad that those militants will not put the same energy into creating wealth as they put into organising flying pickets. The result as we saw last winter and in the engineering strike is that worker is striking against worker."

- 2.4 "I sympathise also with workers in the independent steel companies who, with no ballot and no strike pay, were ordered out to support their fellow workers in British Steel."
- 2.5 "What we are seeing are the stresses and strains of change when a big industry, which has been protected from reality by past Governments, can put it off no longer. We saw the same tragic and self-destructive process at the Llanwern works a few months ago, where (insert details)." (It's worth reminding the audience, if they are feeling sympathetic to the steel workers, just how idiotically they have behaved.)
- 2.6 "Many people ask why we have not intervened to settle the dispute. But we've been doing that for years - £50 million here, £100 million there, year after year. It's part of the problem, not part of the solution. Buying off problems with taxpayers' money is simply economic decline on the instalment plan. But it's much worse than that. When Governments intervene with taxpayers' money to make problems go away, they are deliberately misleading the electorate. People must be allowed to see what is really happening: a bankrupt nationalised industry - and other companies completely uninvolved - being held hostage by a union movement whose members have never been balloted, backed up by an industrial army of flying pickets^{often from other unions.} Only when people can see what is happening, can they say - to their union officials, their friends, their employers, their MPs - 'We don't like it. We don't think that sending one thousand pickets is a fair way to get pay increases from the taxpayer'." (Say this very low-key - don't let your own indignation show. The calmer you are, the more indignant the listener will feel.)
- "When people propose we should intervene, they're really asking us deliberately to mislead the public, to fool them into thinking there isn't a problem. There are problems, deep and serious problems, with our nationalised industries and with our trade union movement. We'd better see those problems. We'd better understand them. And we'd better solve them."
- 2.7 "People say that we are being too rigid on cash limits. But cash limits are rigid for everyone. For you, for me, for everyone involved in producing this programme, for every company in the

private sector. Why should it make sense for a nationalised industry to assume that it can always get more money when it has run out of what it's got?"

- 2.8 "Yes, I know people have criticised the management of British Steel. But the huge problems they have to solve are the result of past failures by management, unions and Governments alike. Their task is difficult. We are insisting that they reach break-even or try to reach it by March this year - an objective originally set by the last Government. Unlike them, we are sticking to that objective."
- 2.9 "I'm afraid it may be some time still before the strike ends, because people have become so used to Governments producing money that isn't really there. I am afraid we cannot do that and we must simply wait and hope that management and unions will come to an agreement quickly." (Important to make this point with sad resignation, showing that you're quite prepared for the strike to drag on and merely sad that it takes so long for the truth to dawn on those involved, that the Government is sympathetic but immovable.)
- 2.10 "Our nationalised steel industry has failed the nation. We cannot wish that problem away. That failure and the resulting closures will indeed leave desolate areas behind it. We are ready to talk with the unions about how we can help those areas to recover. But we must recognise that it cannot be by perpetuating the industrial failure which is their cause. This is where we would dearly like to see a new and more positive trade union role emerging. It really isn't the job of the TUC to impose its economic policies on a democratically-elected Government. The unions have been trying to increase and maintain the standard of living of all their members, despite the fact that most of them are well off in jobs which are not at risk. The unions should instead be concentrating on helping those who lose their jobs in declining industries, seeing how and where new businesses can get started. If union negotiators try to treat all their members as under-privileged, then, alas, eventually that will indeed be the case."

3. EMPLOYMENT BILL AND CABINET SPLITS

3.1 "The Cabinet is united on its objectives. The trade union movement has lost its way and will not find a new and constructive role until the framework of law within which it operates is brought into line with other successful Western economies."

"At present, the whole union movement seems to be regularly mobilised to deal hammer blows against the economy on which their own members' living standards depend. We've had the transport strike last winter, the engineering workers' strike last year, and now the steel strike. This must be a cause for rejoicing for the Left-wing activists and the militants, for their aim is to destroy Britain's economy. But it is a tragedy for the country and for the reputation and traditions of the union movement."

3.2 Day may read the quotations about a weak Prime Minister not sacking Jim Prior.

"Of course we have debate and disagreement about the means of achieving this difficult objective, on which we are all agreed. It would be a real sign of weakness, if we could not tolerate debate and argument on such important issues. It is the only way to ensure we get the right answer. Jim Prior has been working on this problem for four years, and he has persuaded us that his approach is right. We are completely behind him and backing him on that approach." (It is very important that you should be absolutely loyal to JP, no ambiguous comments or half-heartedness of any kind. The worse he behaves, the better you should behave - you will get much greater credit from that than by showing your own exasperation with his behaviour.)

3.3 "Of course, we must listen to all the available advice. Our aim is to get the law right. We believe and hope that the unions will then obey the law. If they do not, then we have to think further about the best way to ensure that the law is enforced. That will be one of the things we will look at in the Green Paper to be produced this summer."

"Yes, I know that the union leaders are saying that this Bill is an attack on trade union basic democratic rights and so on. I

sometimes think that the only way to avoid being accused of confrontation is simply to announce that, whatever the electorate of this country wants, the Government will agree to do whatever the TUC tells it to do! There is nothing immoderate about standing up to immoderation. Trade union leaders claim to speak for their members and criticise us for attacking their rights. But what of the members' rights at Hadfields, Sheerness? What does trade union democracy mean when workers are called out without a ballot? What are their rights worth when they receive no strike pay? I believe that if the trade union leadership could control the militants and then reflect the true feelings and values and concerns of their members, we would soon have a very different country and a very different economy. I believe that this Government speaks for the union members now much more surely than do the leaders of the Labour Movement."

4. PUBLIC EXPENDITURE CUTS AND INTEREST RATES

- 4.1 "We are doing the job we were elected to do - to cut public spending so that we can bring down inflation and reduce taxes. We never said it would be quick or comfortable. But it is necessary, because this country is fighting for its economic survival."
- 4.2 "We should be very careful not to criticise people who work in the public sector. Most of them do a responsible job and do it well. But the public sector is larger than this country can afford. We started to build it up immediately after the war when other countries were building their industrial base for future prosperity. They were preparing to earn the money, we were busy spending it. The result is that we are now saddled with a public sector which no longer gives us good value for money and which we cannot afford to keep in good repair. It is like living in a house or running a car which is too big and too old and too expensive. Again, there is absolutely no choice, but to trim it down to size before the whole economy sinks under its weight." (A few statistics about the absolute rise in Government spending in present pounds? Or as a percentage of GNP? Since about 1964? Total number of civil servants over that period?)

- 4.3 "Yes, interest rates and mortgage rates are high. The reason is very simple. If the Government prints more money but the amount of goods doesn't increase, prices rise. That's inflation. Over the last Government's five years, goods scarcely increased, but the amount of money and therefore prices doubled. Because the Government spends so much - and, as I said, we have to bring that down over the years, but it's a slow job - the Government itself has to borrow a lot of money each year to cover the gap between what it's spending and what it gets in in taxes. If Government and everyone else wants to borrow money, but we're trying to keep the amount of money down, then the cost of borrowing money has to go up. That's just a fact of life. If something's scarce, it gets expensive, just like coffee when the coffee harvest failed a few years ago."
- 4.4 "Some people probably think that, if there are enough complaints, the Government will bring interest rates down and start printing money, to pay for more Government spending and higher pay rises, just as Labour did last time so that the world's bankers had to come and bail us out in 1976. Well, I'm sorry to disappoint those who want us to take such a tempting route. To us, the route doesn't look tempting - it's a short-cut to disaster. So let me make it plain, because I don't want anyone to feel that we have misled them. We shall keep cutting public spending for years to come. We shall keep interest rates high until we are absolutely certain that we can bring them down without endangering the fight against inflation. There can be no question whatever of weakening on those central parts of our economic strategy. I know it is an agonisingly slow process, but it is the only way." (Essential to do all possible to influence inflationary expectations.)

5. CONCLUSION

I would emphasise again that the one specific objective you should have in mind is to weaken the steel strike by sympathising with those involved and by heightening the sense of grievance in the viewer's mind, against the union movement as a whole and against those who called the steel strike and those who are supporting it and seeking to escalate it into the private sector. A successful outcome to the steel strike would be a major stepping stone.

